



TAX BULLETIN 03-5

Virginia Department of Taxation

April 5, 2003

OPERATION IRAQI FREEDOM AND OPERATION ENDURING FREEDOM EXTENSIONS

Tax Commissioner Kenneth W. Thorson has announced that Virginia will provide extensions and other tax benefits to members of the Armed Forces serving in the Middle East, including the air space above or related naval operations in support of Operation IRAQI FREEDOM, and members of the Armed Forces serving in or around Afghanistan, including the air space above or related naval operations in support of Operation ENDURING FREEDOM.

For taxable year 2002, members of the Armed Forces serving in either Operation IRAQI FREEDOM or Operation ENDURING FREEDOM will receive either the same individual income tax filing and payment extensions as given to them by the IRS, plus an additional fifteen days, OR a one year extension (until May 1, 2004, for 2002 returns), whichever date is later.

Combat pay will be totally excluded for both enlisted personnel and officers, unlike federal law. Under current federal law, enlisted military personnel can exclude amounts received as compensation for active duty service in a "combat zone" pursuant to Internal Revenue Code (IRC) §112. Commissioned officers, however, receive a limited exclusion.

Virginia estimated taxes and installment payments are not required of individuals during the period of their filing and payment extension. Virginia will suspend collection activities during these extension periods. No penalty and interest will accrue during the extension period.

All extensions also apply to spouses of military personnel. Service families may wish, however, to file their individual income tax returns before the extension deadlines to receive refunds. "IRAQI FREEDOM" or "ENDURING FREEDOM," whichever is appropriate, should be written on the top of tax returns, as well as any notice issued to combat zone personnel regarding tax collection or examination, and on the outside of the return envelopes used to mail the return.

For more information about these extensions or to obtain forms, individuals should contact either their local Commissioner of the Revenue, Director of Finance or Director of Tax Administration, or the Department of Taxation's Office of Customer Services at (804) 367-8031.